China’s New Policy in Xinjiang and its Challenges

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About one year after the deadly ethnic conflicts in Xinjiang, the Chinese leaders unveiled a new policy package and vowed to bring lasting stability to this restive region through “leapfrog development.” In the following 10 years the government will pour hundreds of billions of yuan into Xinjiang to boost the economy and improve the livelihood of all ethnic groups. Promising in the short run, the new policy may face several challenges domestically and internationally in the long run.

THE XINJIANG WORK Conference, a joint conference of the Chinese Communist Party’s (CCP) central committee and the State Council, China’s cabinet, was held in Beijing from 17 to 19 May 2010 to promote a “new deal” in Xinjiang Uyghur Autonomous Region, the country’s far west frontier. The new deal outlined a blueprint for Xinjiang’s development until 2020 at a budget of hundreds of billions of yuan.

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This conference is a response to the July 2009 deadly riots in Xinjiang’s capital Urumqi, mainly between Muslim Uyghurs and members of China’s dominant Han group. During the riots, about 1,700 people were injured and at least 197 killed, the worst in the country in decades. The bloodshed revealed tensions between Uyghurs and Han in the region as well as the dilemmas of the CCP’s ethnic policy.

China’s current ethnic policy is based on a system of regional autonomy of ethnic minorities. In the autonomous areas, ethnic minorities enjoy a number of favourable policies, including a special quota system in political representation (ie, more seats in people’s congress and government), education (ie, priority in secondary school and college admission), family planning (ie, more than one child), legal issues (ie, lenient treatment in law enforcement). Most of these preferential policies are guaranteed by the Regional Ethnic Autonomy Law that was promulgated in 1984.

While these preferential policies are supposed to benefit ethnic minorities and win their support for the regime, policies in Xinjiang have been flawed by several problems. The first problem is economic inequality between Han Chinese and minorities. In the past decades the government has continued to invest a lot in infrastructure and heavy industries in Xinjiang. The region’s GDP growth since 2003 (except 2009; see the following figure) has been higher than that of China as a whole. But this growth fails to close income gaps across ethnicities.

Since the late 1970s, state-owned enterprises (SOEs) have been required to employ at least 60% of minority employees. However, in the recent decade many local SOEs went bankrupt, leading to a great laid-off of minority employees. Now most enterprises

![FIGURE 1 GDP GROWTH COMPARISON BETWEEN XINJIANG AND CHINA SINCE 2000 (%)](source: China's National Bureau of Statistics)
China’s preferential policies in Xinjiang have also sharpened the ethnic divide, distributing benefits according to people’s ethnic status and making people unequal politically and economically. These only heightened the ethnic consciousness of the minorities and discouraged the development of a Chinese identity. The system of regional autonomy of ethnic minorities, to a certain degree, goes against the principles of national integration.

The third problem in Xinjiang is caused by the CCP’s restrictive religion policy. The CCP’s atheist ideology is essentially anti-religion. The perception of religious organisations being involved in separatist activities has strengthened its anti-religion attitudes. Even though the government has relaxed its control in the past decade, its religious policy remains too restrictive. Such a policy has offended many Muslims and aggravated grievances within the Uyghur community.

Planning a Major Policy Change

After a series of riots involving Uyghur separatist and Islamic extremist organisations in 1980s and 1990s, the Chinese government has adopted a policy of “stability above all else” in Xinjiang. Economic development is only of secondary importance in the region.

Between 22 and 25 August 2009, about one month after the tragic violence, President Hu Jintao visited Xinjiang and made a speech to local officials. In the speech he asserted...
that “the fundamental way to resolve the Xinjiang problem is to expedite development in Xinjiang.” This conveys a clear message that Beijing is going to change the stability-first policy and work out a development plan for Xinjiang.

In November 2009, three investigation teams were sent to Xinjiang to collect first-hand data regarding social and economic situations, religions, and political stability. The teams visited every prefecture of Xinjiang and talked with local officials in numerous bureaus and local people from different ethnic groups. The final reports were compiled by the State Commission of Development and Reform and submitted to the State Council. These reports were mainly about boosting economy in Xinjiang and achieving lasting stability.

In late March 2010, Party and governmental leaders of 19 affluent provinces and cities were called to Beijing to attend a conference on providing assistance to Xinjiang’s development. Executive vice premier Li Keqiang addressed the meeting. Under a “pairing assistance” model arranged in this conference, the 19 provinces and cities are each required to help support the development of different areas in Xinjiang by providing human resources, technology, management and funds. Shanghai, for instance, is mainly to assist Bachu, Shache, Zepu, and Yechang counties in the Kashgar Prefecture.

In a politburo meeting on 23 April, senior leaders decided to hold a national work conference on Xinjiang issues in May to set down the strategic plans to “leapfrog development” and achieve “long-term stability.” Attendees agreed that Xinjiang has an “extraordinarily important strategic status” in the Party’s national development blueprint. Development sets the foundation for solutions to all problems in this area. The Party is prepared to devote all its efforts to accelerating the pace of development.

**Personnel Change: From “Stability” to “Development”**

Beijing also made a personnel change to further prepare for the policy adjustment. Xinjiang party secretary, Wang Lequan (also a politburo member), was replaced by Zhang Chunxian, then party chief of Hunan Province.

Born in Shandong, Wang built up his portfolio in Shandong as its vice governor within the party-governmental system in 1989. In April 1991 he was sent to Xinjiang and assumed the office of vice governor. In 1995 he was appointed party secretary and became the highest-ranking figure in this troubled frontier region.

Spending almost two decades in Xinjiang, Wang was known for his hardliner stance. When he began his career in Xinjiang, the local people were terror-stricken by a series of bomb attacks and bloodshed. He promoted the stability-first policy and enforced it with an iron hand. Wang successfully frustrated a number of Islamic extremist and Uyghur separatist organisations and largely maintained social stability in this restive area until 2008. His image as a ruthless hardliner won him the nickname of “secretary of stability” (wending shuji). To reward his fruitful work, in 2002 Beijing offered Wang a seat in the politburo, which made him one of the most powerful provincial leaders in the nation.

As Beijing has decided to give priority to economic development and depart from the formula of “stability above all else,” it is time for Wang to resign. The successor,
Zhang Chunxian, has a much more diverse resume than Wang’s. Zhang was once a soldier, an engineer, a manager of state-owned enterprises, minister of transport, and then party secretary of Hunan Province since 2005.

It is believed that Zhang is a relative softliner and a moderate. His amiable and responsive style to journalists makes him popular. The Hong Kong media once voted him the “most open-minded party secretary.” Based on his experience in state companies and economic-related ministries, people expect Zhang to promote a development-centred and softliner policy.

Three weeks after the new secretary started his job, internet service in Xinjiang, shut down since the riots in July 2009, was finally restored. Zhang argued that unimpeded internet is important for economic development in Xinjiang. Observers believe that he is trying to bring new thoughts to this troubled region and preparing for a fresh new start.

The New Policies

The new policy package was finally unveiled in the Xinjiang Work Conference held from 17 to 19 May 2010. The attendee list of the conference was quite impressive: the Party’s general secretary and state president Hu Jintao; premier Wen Jiabao; vice president Xi Jinping, who is widely believed to be the heir apparent to Hu, and executive vice premier, Li Keqiang, the supposedly successor to Wen; and the rest of the Politburo Standing Committee, all other vice premiers, politburo members, as well as all the relevant cabinet ministers, provincial leaders, state-owned enterprises leaders, military leaders and chiefs of the armed police. In total there were 359 persons in attendance.

According to the official Xinhua Agency, the conference decided to take a balanced approach between stability and development in Xinjiang, giving more priority to development. The objective of policies is to “leapfrog development” and achieve “long-term stability.” A consensus among leaders is that the “major contradiction” in Xinjiang is between the growing material and cultural demands of the people and the low level of social and economic development, and to solve this contradiction, the focus of the government in the region has to be on economic development.

President Hu stipulated that by 2015, per capita GDP in Xinjiang should catch up with the country’s average level and the residents’ income and their access to basic public services should reach the average level of the country’s western provinces. During this period, “marked” improvement must be achieved in the region’s infrastructure, self-development capacity, ethnic unity and social stability.

Xinjiang should also work towards a “moderately prosperous society” (xiaokang shehui) in all aspects by 2020. It should improve people’s living standards and build an eco-friendly environment, as well as ensure ethnic unity, social stability and security.

To achieve these goals, the priority of development will be given to improving the livelihood of all ethnic groups. Previous government investment has mostly gone to infrastructure or heavy industries, which not only benefited local ethnic minorities very little, but also enlarged the income gap between Han and other groups.

In his speech, Hu required central fiscal investment and aid from other provinces to
be spent on the livelihood of various ethnic groups. Resource tax reform and resource development would be directly linked to the welfare of the local people. More efforts would be taken to create more job opportunities and vocational training for all ethnic groups.

The development plan also puts the spotlight on the southern part of Xinjiang. Most industries and investment are concentrated in the northern part, where most Han live, whereas, most Uyghurs live in the south, such as Kashger and Hotian. Regional inequality has widened income gaps across groups. Chinese leaders decided to fix the problem with fiscal and financial means.

A three-prong approach has been adopted to support Xinjiang. First, Beijing will dramatically increase government investment in the region. Premier Wen Jiabao told the meeting that the fixed asset investment for the region in the next five-year plan beginning in 2011 would be more than double the amount in the current plan, which means investment from 2011 through 2015 could run to two trillion yuan.

The 19 provinces and cities that joined the “pairing assistance” programme are required to grant 0.3% to 0.6% of their annual budget to Xinjiang every year. The grant to be allocated in 2011 is targeted at more than 10 billion yuan and will be further increased over the following 10 years.

In addition, joint-equity commercial banks, foreign banks and banks of various kinds are encouraged to open outlets and branches in remote areas, mostly in southern Xinjiang, to provide more loans to local people and enterprises.

Second, the current tax system will be changed in favour of Xinjiang. The most striking reform is to change the way tax is charged on natural resources including oil and gas from a quantity-based to price-based levy. Xinjiang is home to 15 percent of China’s ensured oil reserves and 22 percent of total ensured reserve of natural gas. As oil and gas are taxed according to the volume of output, Xinjiang has yet to benefit from the growth of prices in the international market.

With the new resource taxation, this autonomous region may receive eight billion yuan to 10 billion yuan of additional fiscal revenue annually. An official from PetroChina, the largest oil producer in the region, said that the new tax system will increase cost for the company dramatically. If tax rate is fixed at five percent, PetroChina will have to pay tax of about six times more.

Enterprises in less developed southern Xinjiang will enjoy favourable “two-year exemption and three-year reduction” (liangmian sanjianban) tax policy, which was applied only to foreign invested companies in the past. In the first two years after the enterprise begins making profit, it is completely exempted from income tax; in the
following three years it is allowed a 50 percent reduction.

Finally, a new Special Economic Zone is to be established in Kashgar, a hub in south Xinjiang where 90 percent of its residents are Uyghurs. In addition, Alataw Port and Korgas Port, China’s important gateways to Kazakhstan, will become cross-border special trade zones.

The Special Economic Zone usually enjoys preferential policies in industries, taxation, finance, land use and trade, which are especially conducive to doing business. In the 1980s and 1990s, Special Economic Zones such as Shenzhen, Zhuhai, and Pudong were engines of China’s economic miracle. Observers anticipate Kashgar and those border free trade zones to play the same role in Xinjiang’s growth.

Although priority is given to economic development, maintaining stability and fighting against ethnic separatism remain crucial to Xinjiang. While the conference did not sort out details about how to “firmly oppose and fight against ethnic separatist forces,” there are signs showing that Beijing has been ready to use force to crack down on efforts of separatism.

Four senior military generals sat in the conference, conveying clearly that the People’s Liberation Army (PLA) is backing the Xinjiang development plan and any separatist attempts may have to face coercive actions. The four generals are Chen Bingde, Li Jinai, Liao Xilong and Chang Wanquan, heads of the four general headquarters/departments of the PLA, as well as members of the Central Military Commission.

Three days after the conference, an anti-riots special police unit was established in Urumqi. Named as the “Flying Tiger Commando,” this unit is to deal with emergencies such as terrorist attacks, hostage-taking, and violent riots in cities. With more and more such special units in Xinjiang, the government is able to react more quickly and effectively to street violence like the turbulence in last July.

**Internal and External Challenges**

What is clear is that Chinese leaders see the solution to the Xinjiang problem as one of “supplying creature comforts.” They showed great confidence in economic development as the solution to the issue. If the region can develop fast enough, they assumed, Uyghurs will accept Chinese rule and their dissatisfactions will disappear.

In the short and medium term, this economic therapy may take effect as the livelihood of ethnic minorities and public services are being improved. The minorities may generally become less likely to support Islamic extremism or terrorist attacks.

Yet there are predictable challenges to the development process. Economic modernisation will bring a lot of rural residents into the cities. The urban setting will put formerly isolated populations into contact, with migrant workers easily developing ethnic networks of information, jobs and housing. These new migrants usually come with unrealistically high expectations. They are likely to be frustrated and become particularly hostile to some cultural aspects of modernisation, and are therefore “ripe for radicalisation.” For instance, many rioters in the Urumqi violence were newly urbanised youth from rural areas in south Xinjiang. The ethnic conflict provided them with a vent of their grievances resulting from economic growth.
In the long run, Chinese leaders may have to face other challenges. People who are economically better off and better educated are more likely to give attention to their own history, culture, languages and religions, and hence are more likely to strengthen their ethnic identity.

The new plan largely ignores the issue of religion. In Hu’s speech, there is only one sentence related to this issue – “fully implement the Party’s ethnic policy and religion policy, fully strengthen and improve propaganda and ideological work …” There is no sign that the existing religion policy will be changed.

It seems that the CCP leadership has yet to figure out a new way to handle religious issues. But this is a challenge they cannot evade. Heavy-handed restrictions on Islam have radicalised many Muslim Uyghurs who join underground Koran study groups, where the imams teach the divine scripts as well as the political blueprints of an independent East Turkestan. The CCP in turn takes it as a justification for more harsh control over religion. To achieve “lasting stability” in Xinjiang, Beijing may need to break this vicious circle and find a way to accommodate religion in its system.

Also it is unclear how Beijing would establish a national Chinese identity among the Muslim Uyghurs, Buddhist Tibetans and some other groups to achieve national integration. Hu called for comprehensive education on ethnic unity in order to help local people identify with the “great motherland, the Chinese nation, Chinese culture, and a socialist development path with Chinese characteristics.” On the other hand, he said that the Party will stick to the existing system of regional autonomy for ethnic minorities, a system that has politically sharpened ethnic divisions and weakened the Chinese identity. Promoting integration among various ethnic groups based on the existing system remains a question.

Challenges may also come externally. Xinjiang will remain an issue between China and the US, although it may not be as controversial as the Tibet problem. While the Obama administration’s response towards the Xinjiang riots was cautious, the US still puts its weight behind certain overseas Uyghur movements. Uyghur American Association and the World Uyghur Congress, two major Uyghur organisations in the western world,

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receive financial support from the National Endowment for Democracy, an American organisation financed by the US Congress. The US also brings up Xinjiang as an issue of concern in its human rights talks with Chinese officials in May 2010.

Turkey is another country that has interest in the Xinjiang issue due to its cultural and linguistic linkages with Uyghurs. In spite of this, Turkey is making efforts to strengthen its trade ties with China. In June 2009, Turkish President Abdullah Gul, with 120 businessmen, visited China. Till then, the total trade volume between the two countries was over $17 billion. Nevertheless, Turkey made the strongest reaction to the Xinjiang incident.

Turkey by itself may not constitute a major challenge to China. But it has significant impact on the Turkic and Islamic states in Central Asia, including Azerbaijan, Kazakhstan, Turkmenistan, Uzbekistan and Kyrgyzstan. Any imprudent move in Xinjiang, if being interpreted as anti-Turkic or anti-Islamic, might spark off chain reactions in those countries and further complicate the Xinjiang issue.